

## Message Text

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ACTION AF-04

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FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 3450

C O N F I D E N T I A L BRUSSELS 4512

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, EAID, BE, CG, US

SUBJECT: AMBASSADOR HINTON'S MEETING WITH BELGIAN OFFICIALS

1. SUMMARY. AMBASSADOR HINTON MET WITH BELGIAN FOREIGN MINISTRY OFFICIALS MAY 20 FOR REVIEW OF BELGIAN-ZAIRIAN RELATIONS AND ECONOMIC AND FINANCIAL SITUATION IN ZAIRE. BOTH SIDES HELD VIEW THAT INTERNATIONAL ASSISTANCE, PROBABLY THROUGH IMF, IS NEEDED TO HELP RESTORE INVESTOR CONFIDENCE IN ZAIRE. BELGIANS SAID THEY HAD INFORMED PRESIDENT MOBUTU THAT BELGIAN ASSISTANCE COULD BE PROVIDED ONLY AS PART OF INTERNATIONAL EFFORT. BELGIAN AMBASSADOR KERREMANS PLANS TO RETURN TO KINSHASA. END SUMMARY.

2. AMBASSADOR HINTON MET WITH SECOND DIRECTOR GENERAL FOR POLITICAL AFFAIRS VANDEN BLOOCK, AFRICA DIRECTOR LEBRUN, AND AZIRE DESK OFFICER JAENEN OF BELGIAN FOREIGN MINISTRY MAY 20. VANDEN BLOOCK GAVE GENERAL REVIEW OF BELGIAN-ZAIRIAN RELATIONS SINCE INDEPENDENCE. HE NOTED THAT THERE WERE RECENT INDICATIONS OF ZAIRIAN DESIRE TO IMPROVE RELATIONS AND THAT BELGIANS WISHED TO RECIPROCATE. HE CITED MEETINGS BETWEEN PRIME MINISTER TINDEMANS AND ZAIRIAN EMISSARIES IN LUXEMBOURG AND SPAIN IN THIS REGARD.

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3. ADDRESSING HIMSELF TO ZAIRIAN ECONOMIC AND FINANCIAL

SITUATION, AMBASSADOR HINTON POINTED OUT THAT PRESIDENT MOBUTU RECOGNIZES NEED FOR REFORM BUT WANTS TO ACCOMPLISH IT WITHOUT OUTSIDE INTERFERENCE. MOBUTU IS TRYING TO HOLD DOWN EXPENDITURES AND IS SEEKING OUTSIDE FINANCING. HINTON NOTED THAT ECONOMIC SITUATION SHOULD BE MUCH IMPROVED BY 1977-78, WITH OIL PRODUCTION HAVING BEGUN IN LATE 1975, POSSIBLE INCREASE IN COPPER PRICE, AND BEGINNING OF COPPER PRODUCTION AT TENKE FUNGURUME. BUT REFORM IS NEEDED TO SERVICE DEBT AND RESTORE INVESTOR CONFIDENCE IN INTERVENING PERIOD.

4. AMBASSADOR HINTON POINTED OUT THAT PROBLEM WITH MOBUTU'S SELF-HELP APPROACH IS THAT INTERNATIONAL FINANCIAL COMMUNITY HAS LOST CONFIDENCE IN ZAIRE AND MOBUTU'S CAPACITY TO CARRY OUT REFORM. HINTON SAID THAT IN HIS VIEW IMPLEMENTATION OF IMF PROGRAM INCLUDING COMPONENTS ADVOCATED BY MOBUTU COULD PRODUCE A STANBY AGREEMENT, HELP RESTORE INVESTOR CONFIDENCE, AND GENERATE CREDIT FROM LENDING INSTITUTIONS. HINTON EXPRESSED VIEW THAT, ALTHOUGH IMF COULD NOT BAIL OUT ZAIRE ALONE, EFFORTS SUPPORTED BY MEMBER GOVERNMENTS COULD REASSURE PRIVATE SECTOR THAT CREDIT COULD BE EXTENDED SAFELY. SPEAKING PERSONALLY, HE SAID HE THOUGHT USG WOULD BE WILLING TO MAKE SMALL BALANCE OF PAYMENTS CONTRIBUTION TO ZAIRE AS PART OF INTERNATIONAL OPERATION AND EXPRESSED HOPE THAT BELGIUM WOULD BE WILLING TO DO SAME.

5. REGARDING ZAIRIAN CURRENCY, AMBASSADOR HINTON NOTED THAT ALTHOUGH ZAIRE IS OVERVALUED, TECHNICAL CASE FOR DEVALUATION IS NOT ALL THAT CLEAR. REFORM WOULD NOT HAVE TO INCLUDE DEVALUATION, ALTHOUGH TO IMPLEMENT AGRICULTURAL REFORM, DEVALUATION WOULD BE NECESSARY IN LONG RUN.

6. VANDEN BLOOCK SAID GOB SHARES IN GENERAL AMBASSADOR HINTON'S ANALYSIS OF ZAIRIAN ECONOMIC SITUATION. HE SAID MOBUTU MUST BE MADE TO REALIZE THAT INTERNATIONAL ASSISTANCE, PREFERABLY THROUGH IMF, IS ONLY WAY TO SOLVE ZAIRE'S FINANCIAL PROBLEMS. DEBT RESCHEDULING MIGHT BE PART OF PACKAGE. NOTING THAT MOBUTU MAY HAVE MADE HIS CONFIDENTIAL

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RECENT OVERTURES FOR IMPROVED RELATIONS WITH BELGIUM IN BELIEF THAT BELGIANS WOULD COME TO ZAIRE'S ASSISTANCE, VANDEN BLOOCK SAID THAT GOB HAS INFORMED MOBUTU THAT BELGIAN HELP POSSIBLE ONLY AS PART OF INTERNATIONAL EFFORT. AGREEING WITH AMBASSADOR HINTON'S ASSESSMENT THAT MOBUTU IS WARY OF USE OF FOREIGN EXPERTS TO IMPLEMENT REFORM PROGRAM, VANDEN BLOOCK STRESSED THAT SUCH EXPERTS WOULD BE NECESSARY FOR SUCCESS OF PROGRAM.

HE INDICATED, HOWEVER, THAT BELGIUM WOULD NOT BE INCLINED TO SEND BELGIAN EXPERTS. IN RESPONSE TO HINTON'S QUESTION, HE SAID THAT IT WAS UNLIKELY THAT EC EXPERTS WOULD BE OFFERED OR WOULD BE WELCOMED BY MOBUTU. (IN SEPARATE CONVERSATION EC COMMISSIONER CHEYSSON TOLD AMBASSADOR HINTON THAT FINANCIAL ADVISORS COULD BE SENT TO ZAIRE IF GOZ REQUESTED. FUNDING FOR ADVISORS, HOWEVER, WOULD HAVE TO BE DIVERTED FROM SOME OTHER PROJECT PREVIOUSLY INCLUDED IN EUROPEAN DEVELOPMENT FUND'S PROGRAM FOR ZAIRE.)

7. FURTHER ON BILATERAL RELATIONS WITH ZAIRE, VANDEN BLOOCK STATED THAT GOB HAS FULL CONFIDENCE IN AMBASSADOR KERREMANS. KERREMANS TOLD AMBASSADOR HINTON LATER AT LUNCH THAT HE EXPECTED TO RETURN TO KINSHASA NEXT WEEK. FIRESTONE

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